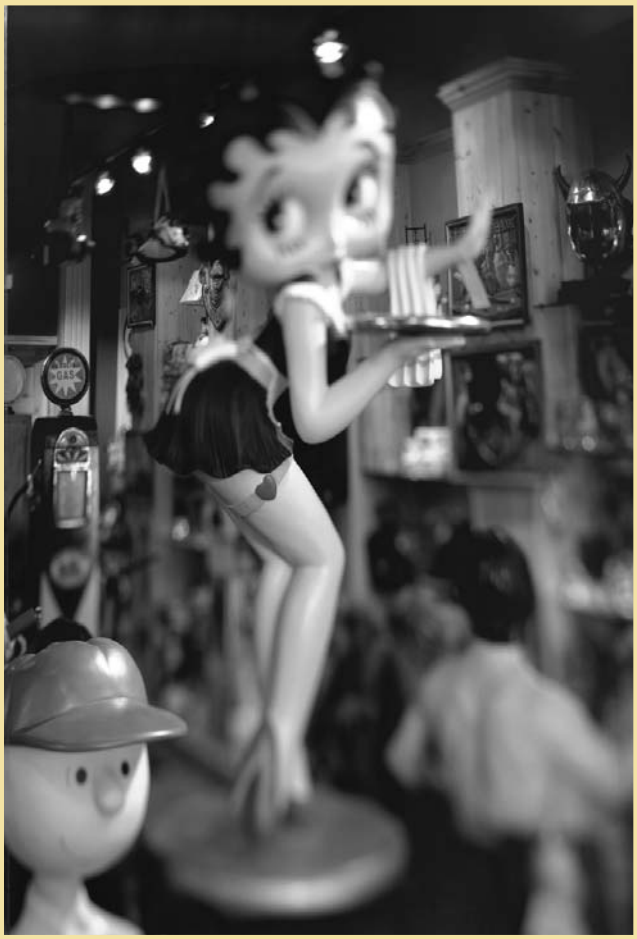
BETTY BOOP IN WONDERLAND

Or Through the Licensing Glass

BY DICK SCHULZE, ESQ.

Ms. Betty Boop, a professional dancer, has been in court off and on since at least 1934. Despite her age, she cavorts along legal corridors even today, and thereby hangs a trademark tale.



Down the Rabbit Hole *or* the Facts

Created circa 1930 by Max Fleischer, head of Fleischer Studios, Inc., Ms. Boop combined in appearance the childish with the sophisticated – a large round baby face with big eyes and a nose like a button, framed in a somewhat careful coiffure, with a very small body of which perhaps the leading characteristic is the most self-confident little bust imaginable. The result is very taking.[1]

She starred in many cartoon films, and in due course Fleischer Studios licensed her name and image for toys, dolls and such. But in the 1940s Fleischer Studios sold Ms. Boop and shortly thereafter ceased to exist.[2]

Fast-forward a generation. The 1970s found Max's heirs forming a new corporation with the same name as the old one. Through the new Fleischer Studios, Inc., they repurchased Ms. Boop from her various owners and commenced once again to license her name and image for toys, dolls and such.[3] They have succeeded so well that Ms. Boop has even been caught smuggling drugs – pursuant to a search warrant, a ceramic Betty Boop doll was found with four concealed bundles of high-purity methamphetamine inside.[4]

Meanwhile, back at the ranch, several entities collectively known as AVELA had restored some vintage Betty Boop posters. Based on a claim of copyright in these posters, AVELA also began licensing Ms. Boop's name and image for toys, dolls and such.[5]

The Cheshire Cat's Grin *or* the Vanishing IP

Fleischer Studios was not amused by AVELA's Betty Boop cavorting about, and it sued in the Central District of California, alleging both copyright and trademark infringement.

As for the copyright, the trial court found a break in the chain of title between the original sale of the copyright by the old Fleischer Studios in the 1940s and the repurchase years later by the new Fleischer Studios. For this reason, Fleischer lost its copyright infringement claim, a holding that has been sustained on appeal.[6] We won't speak of the copyright again.

As for the trademark, or perhaps we should say "trademarks," since Ms. Boop's name and image can each serve as a trademark and since each comes with both common-law and statutory rights, the trial court found that:

- Fleischer had no federally registered trademark in the image;
- Fleischer had no common-law trademark rights in the image; and
- Fleischer had a federally-registered trademark in the name "Betty Boop" but the ownership of Ms. Boop's IP was so fractured that Fleischer could not assert it.

For these reasons Fleischer also lost its trademark infringement claim.[7]

The Mad Hatter or the Aesthetic Trademark

The trial court's decision probably would not have attracted much attention (except of course from the parties themselves). But when the action moved upstage to the Ninth Circuit, in a decision issued on February 23, 2011, the court shocked the trademark-licensing world by disregarding the trial court's decision and instead ruling that the defendants' use of Ms. Boop's name and image was "functional and aesthetic" and therefore beyond the reach of any claim of trademark infringement.[8]

Imagine, if you will, that you are the licensing executive for the University of Nevada. Think of the implications of this holding. Think of all your carefully negotiated, exclusive, revenue-generating licenses of the university's good name and team logos to be used on everything from baseball caps to socks, not to mention coffee cups and beer mugs. Under the reasoning of this decision, anyone could use these marks on such products without paying the university a penny. The mind boggles!

The Tea Party or Trademark Licensing Rights

For years, professional athletic teams, universities, motorcycle makers and others have licensed the use of their trademark names and logos on wide varieties of products with the understanding that they had the right to do so and the corollary right to stop any unlicensed person. For example, in a case of first impression the Fifth Circuit held that unlicensed uses of NHL team logos on embroidered emblems infringed the teams' trademark rights.[9]

A trademark identifies the source of a product[10] but does not extend to functional parts of the product. "Functional" means a part of a product that does something useful – in other words, that "functions." Unless you have a patent, you can't prevent someone else from making a product that does the same thing as yours, even if its working parts look like the working parts of your product. The Supreme Court says that a feature is functional if it is "essential to the use or purpose of the article [or] affects [its] cost or quality."[11]

Following these principles, in 2006 the Ninth Circuit held that Volkswagen's trademark rights were infringed by an unlicensed use of the Volkswagen logo on license plate frames and keychains.[12] The infringing party argued that the logo was aesthetically functional in that the consumer only bought the product because the logo was on it. Noting that a product without a

continued on page 18

BETTY BOOP IN WONDERLAND

Or Through the Licensing Glass

continued from page 17

distinctive trademark would still be the same product, would still do the same thing, and would last just as long, the court declined to find that the logo was functional. Instead the court held that protection of a trademark is not overridden by the mere fact that the trademark itself, rather than the product carrying it, is what the consumer wants to buy.[13] To hold otherwise, said the court, "would be the death knell for trademark protection."[14]

The Walrus and the Carpenter or "Functional" Means What I Say It Means

But in its February decision the court relied on an earlier case involving unlicensed sales of jewelry bearing the logo of Job's Daughters. In that case the court had found that customers bought the jewelry because of the aesthetic effect of the logo, such a use of the logo was functional, and therefore there was no trademark infringement.[15] In the February decision the court followed the *Job's Daughters* case[16] even though in the Volkswagen case it had said that:

> *Job's Daughters,* with its collective mark, was a somewhat unique case and its broad language was soon clarified and narrowed.[17]

Consider a sweatshirt that proudly bears the Wolfpack logo. Under the February decision, the logo would be functional because the logo is what the consumer desires, and therefore an unlicensed party could put the logo on its sweatshirts with no liability to the university for trademark infringement.

The February decision resulted in consternation throughout the trademark-licensing community. The plaintiff petitioned for rehearing or en banc review, and in this it was joined by amici including major league baseball, basketball, football and hockey, the Collegiate Licensing Company and the Motion Picture Association of America.[18]

The Croquet Game or Trademarks Win After All

On August 19, 2011, the Ninth Circuit withdrew its February opinion and issued a new one. Gone was any mention of *Job's Daughters* or of aesthetic functionality. Instead, the court affirmed the district court's decision respecting the trademark in Ms. Boop's image.[19] As for the trademark in her name, the court remanded the case for further proceedings because the factual basis for the holding that the IP was "fractured" was not sufficiently developed to support the trial court's summary judgment disposition.[20]

For now, Fleischer Studios' lawsuit still lives, at least as to its cause of action for trademark infringement of the name "Betty Boop." Meanwhile, we can continue licensing trademarks that identify a source – at least, those marks that are federally registered and have become incontestable – serenely hoping that under the Ninth Circuit's *Volkswagen* case our marks aren't functional but rather:

> "are properly protected under the Lanham Act against infringement, dilution, false designation of source and other misappropriations."[21] ■

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*IP Counsel, Hewlett-Packard Co. The views expressed herein are solely those of the author and do not necessarily represent the views of HP.

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1 *Fleischer Studios v. Ralph A. Freundlich, Inc.,* 5 F. Supp. 808, 809 (S.D.N.Y. 1934).
2 *Fleischer Studios Inc. v. A.V.E.L.A. Inc.,* __ F.3d __, No. 09-56317, slip opinion at page 11036 (9th Cir. 19 Aug 2011 – August decision).
3 *Id.,* page 11037.
4 *United States v. Lakoskey,* 462 F.3d 965, 971 (8th Cir. 2006).
5 *Fleischer Studios* (August decision), *supra.,* page 11037.
6 *Id.,* page 11038.
7 *Id.,* page 11045.
8 *Fleischer Studios Inc. v. A.V.E.L.A. Inc.,* 636 F.3d 1115, No. 09-56317, slip opinion at page 2782 (9th Cir. 23 Feb 2011 – February decision).
9 *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.,* 510 F.2d 1004, 1012-1013 (5th Cir. 1975).
10 This is hornbook law. In other words, it's too much trouble to look up a citation. But if one wants authority, one need look no further than the Federal trademark statute (the Lanham Act) itself, 15 U.S.C. 1127.
11 *Linwood Labs., Inc. v. Ives Labs., Inc.* 456 U.S. 844, 851 n. 10, 102 S.Ct. 2182, 72 L.Ed.2nd 606 (1982).
12 *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.,* 457 F.3d 1062 (9th Cir. 2006), cert. denied, 549 U.S. 1282, 127 S.C.t 1839, 167 L.Ed.2d 323 (2007).
13 *Id.,* page 1069.
14 *Id.,* page 1064.
15 *International Order of Job's Daughters v. Lindeburg & Co.,* 633 F.2d 912, 920 (9th Cir. 1980).
16 *Fleischer Studios* (February decision), supra., page 2782.
17 *Au-Tomotive Gold, supra.,* page 1069.
18 "Trademark Licensing Safe Under Betty Boop" by Thomas L. Casagrande and Paul C. Van Slyke, both of Locke Lord Bissell & Liddell LLP, published by Law360, edition of August 31, 2011.
19 *Fleischer Studios* (August decision), *supra.,* pages 11047-11048.
20 *Fleischer Studios* (August decision), *supra.,* page 11050.
21 *Au-Tomotive Gold, supra.,* page 1074.